1;Stanford U. S-4, 5 1956 AF15 East China
~~AF15~~ AF15

668 Though Lu Hsün never joined the Communist Party, he had become sympathetic with it in the last years of his life. The anniversary of his death is celebrated and publicized by the Communist regime; he and his works are lauded in the Communist press; and his home in Shao-hsing, Chekiang, and his grave in Shanghai have become national shrines.[37]

648 ## H. Shantung and the Boxer Rebellion

From the end of the nineteenth century until 1929, Shantung was repeatedly the object of foreign aggression. Initially and for the most part, the aptest pupil of the West, Japan, was the aggressor. But the inroads of Western powers themselves were the first to rouse Chinese hatred and reaction.

The Shantung peninsula was bombarded and occupied by Japanese forces during the Sino-Japanese War (1894-1895). They had not been withdrawn when Germany seized the pretext of the murder of two German missionaries in Shantung to sieze Tsingtao as a naval base in November 1897. Railway and mining concessions in the province were also wrung from the Chinese government. When the Japanese forces in Wei-hai-wei (Weihaiwei) were withdrawn in May 1898, the British moved in

37. See, for example, the translation of an article from the Communist press by Feng Hsüeh-feng, "Lu Hsün: His Life and Thought," Current Background, 217.

•648 to take over rights wrested from the Chinese in negotiations. After France had been similarly compensated by the lease of Kwangchow Bay in Kwangtung, Italy unsuccessfully demanded a like cession in Chekiang.

669 These national humiliations coupled with a disastrous flood raised a wave of anti-Manchu and anti-foreign sentiment among the people of the East China Region in 1899. The membership of secret societies swelled, and bandit gangs became rife throughout the five provinces. These two kinds of groups, often indistinguishable one from the other, were the traditional outlets for grievances against the government and frequently became the nuclei around which ambitious persons organized movements intent on seizing the throne.

Anti-foreign hatred and violence in Shantung finally coalesced in the I-ho-t'uan (The Righteous Harmony Corps), also called the I-ho-ch'üan (Fists of Righteous Harmony). Known to the West as "the Boxers," the membership of this society had originally been organized against the ruling dynasty, but were persuaded to turn their resentment against the foreigner. Beginning with rice riots and raids on Christian missions, the sect soon turned to violence against native Christians, German prospectors and railroad workers, and foreigners generally. The secret society not only had gentry leadership, but was also encouraged by the Manchu

1 Stanford U, S-4, 5 1956 AF15 East China
~~AF13~~ AF15

governor of Shantung, Yü-hsien. When under foreign pressure Peking replaced him with Yüan Shih-k'ai in January 1900, the activities of "the Boxers" declined rapidly in Shantung. The sect's scene of operation then shifted northeast to Hopei and was particularly active around Peking, where the sect won open support from the imperial family.

I. Shantung and Japan

The eyes of China were again on Shantung from 1915 through 1929. In the former year, Japan entered World War I on the side of the Allies and proceeded to drive the Germans out of Shantung despite the protests of China, then a neutral. Having replaced Germany in the province, Japan forced on China the "Twenty-one Demands." One demand stipulated Chinese recognition of Japan's right to take over Germany's position in Shantung.

China entered the war in 1917, but not with the intent of gaining a hearing for her rights at the peace table. Rather, the declaration of war was forced through over parliament's objections by the warlord Tuan Ch'i-jui with the aim of enriching himself and his cohorts through war loans from Japan. These loans and Japanese agreement with the other Allied Powers recognizaing her "special rights" in China strengthened Japan's position in Shantung by the end of the war. At the

• 648 Versailles Treaty negotiations, Japan skillfully maneuvered the other Allied representatives into officially confirming her special position in Shantung. When news of the Versailles Treaty provision validating Japanese control of Shantung reached China in 1919, the students instituted a protest demonstration that constituted a turning point in modern 668 Chinese history. Known as the May Fourth Movement, the demonstration grew into a national protest and anti-Japanese boycott joined by bankers, merchants, and other articulate sections of the country. It forced the resignation of the warlord government of Tuan Ch'i-jui, moved the Chinese delegation at Versailles to refuse to sign the treaty, instigated a rising tide of nationalism at home, and turned China away from trust and hope in the Western powers and toward a search for salvation through the aid of the Soviet Union and the use of Communist organization and methods. From the May Fourth Movement can also be traced the injection of strength and substance into the Kuomintang and the birth of the Communist Party. The current Communist regime recognizes its debt to the May Fourth Movement, and views it as the watershed of the revolutionary stream which

1:Stanford U. S-4, 5 1956 AF15 East China
~~AF15~~ AF15

668 carried the Communists to victory.[38]

648 Though China won back control of Shantung through negotiations initiated at the Washington Conference (1921-22), Japan maintained her economic interests in the province. On the basis that these and her citizens were threatened, Japan moved troops into Shantung in 1927 and thwarted the Nationalist army's drive through the province toward Peking in 1927 and 1928. Only after a full-scale battle at Tsinan in 1928 did the Japanese give way and permit part of the Nationalist forces to move north and seize the old capital of China. Japan withdrew her troops on May 20, 1929, but the widespread Chinese boycott on Japanese goods which had been instigated by the Tsinan incident continued through the summer of that year.

Shantung was once more subject to Japanese military assault and occupation in 1937. Before Chinese troops were driven out of the province the following year, they won one of China's few World War II victories, at T'ai-erh-chuang.

---

38. The student role in the May Fourth Movement and subsequent events are described in Kiang (Chiang) Wen-han, The Chinese Student Movement, New York, Kings Crown Press, 1948. On the reorientation of the Kuomintang, the rise of the Chinese Communist Party, and Russia's role in both, see references, footnote 35.

369 548 Shanghai in 1906 and began a crusade especially against American brothels. He became exceedingly unpopular in Shanghai, and finally felt obliged to sue the *Shanghai Gazette* for libel after he had abandoned both his crusade and his post and prepared to return to the United States.[7]

276 Opium dens in the two foreign settlements remained open long after those in the Chinese city had been officially (i.e., in many cases not actually) closed by imperial decree, and until at least 1935 these establishments flourished publicly. Subsequent regulations merely made them more circumspect. In the French Settlement opium vendors on the streets sold their wares in paper packets with labels giving their names, addresses, and telephone numbers. (Opium establishments were increasingly numerous and open in the Chinese 369 city also after 1911, and into the 1940's). Kidnapping[1] was another 683 important enterprise, and a highly profitable one, since many wealthy Chinese moved into the foreign settlements where their property and persons were more secure but whence they or their children could be spirited over the short distance into Chinese territory and held for ransom. Organized commercial gambling was also a big business, and existed in Shanghai probably on a larger scale than in any other city in the world.[8]

625 Law enforcement was severely handicapped by the complex but 692 ambiguous legal and administrative situation. Chinese police could not pursue suspects into the foreign settlements, and foreign police 648 were similarly excluded from the Chinese areas. Foreigners in 369 Shanghai lived under extraterritoriality, by which they were governed according to their respective national laws administered by their own consuls, but the law was seldom read to them with the same severity as it would have been at home. For one thing, the consul was often personally involved in business affairs in Shanghai, or was at least a personal friend of the defendant or plaintiff. Petty and grand swindles of all kinds tended to flourish under such conditions. It was easy enough for a foreigner to leave Shanghai if it became necessary, and he seldom had to face legal consequences at home. Chinese residents of the foreign settlements had unprecedented freedom of movement and activity. Foreign legal authority over them was tenuous, Chinese police could not operate in the Settle-

[1] [in Shanghai -- Analyst]

2: Murphy G-4 (no date) 1953 AF15 East China AF15

ments, and extradition was possible only with the approval of the Shanghai Municipal Council (or the French Municipal Council for the French Settlement), which was not often granted. Police expenses accounted for 40 to 50 per cent of the annual budget of the Shanghai Municipal Council from 1855 to 1941, but even this remarkably heavy allotment did not achieve a rule of law and morality.

Shanghai was a place where two civilizations met and where neither prevailed. To the foreigners, it was out of bounds, beyond the knowledge or supervision of their own culture, where each man was a law unto himself, or where he easily adjusted to the prevailing *mores* with no qualms of conscience. Morality was irrelevant or meaningless in Shanghai, an atmosphere which was apparent to even the casual visitor. The fact that Shanghai was also a major port of call and naval station helped to prosper this attitude; sailors often formed a majority of the foreign population.* For the Chinese, Shanghai was equally off limits. Those who had chosen this new kind of life, like the merchants, were by that choice cut off from traditional China and from the sanctions which it imposed. Others who drifted to the city during famines or civil wars, or were kidnapped from the country as domestic servants, had by definition lost their family connections, which in traditional China was total physical and moral destitution. Small wonder that many of them turned to prostitution.

On top of this was the continually fluctuating population. Few people, Chinese or foreign, came to the city with the hope of remaining there long; most of them aimed to make a fortune in a few years and then to leave. Many of them did remain, but so did the frenzied atmosphere. The international, intercultural nature of the city added to its excitement. Foreign hotels found it necessary to advertise their ability to speak with patrons in English, French, German, and Russian as a minimum. Concerned missionaries and visiting judges contended with this tempting and stimulating situation in vain. It remained for the Communist administration of the city after 1949 to substitute their familiar order of austerity and

* The city gave its name to the practice of kidnapping men to work ships whose crews had found Shanghai's attractions too great. Both foreigners and Chinese were "Shanghaied" by roving gangs, often in search of coolie labor for East or West Indian plantations as well as of crews.

TWO

Politics and Population

The Political Status of the City

648 In its physical aspect and in its economic organization, Shanghai was, and remains, largely Western. Foreigners governed most of the city. Yet the soil remained Chinese, and the legal or treaty powers of the foreigners were limited.[1]

The terms of the Treaty of Nanking in 1842 (between China and Great Britain at the close of the Anglo-Chinese war of 1840–1842*), which opened Shanghai, Ningpo, Foochow, Amoy and Canton to foreign trade, did not deal with the conditions of administration at the ports, and these were left to be negotiated separately. At Shanghai, negotiations in 1843 with the local Chinese officials established the right of foreigners to lease land within a small area set apart for the purpose outside the walls of the existing Chinese city. China remained sovereign at least in theory over the whole of Shanghai, and in effect delegated certain rights and powers to foreigners. The area of the foreign leaseholds was expanded by successive agreements with the local Chinese officials until it covered the greater part of the conurbation which developed at Shanghai, exclusive of the original walled city, but the administrative powers of the foreign government of this area remained tenuous.

633 The Shanghai Municipal Council, the chief organ of the foreign government at Shanghai, had the responsibility, granted by agreement with the Chinese officials, of maintaining order within the International Settlement, and this was taken to include policing and the maintenance of public works such as roads, drains, lighting, and 633 later water, gas and electric services as these were developed. Powers 651 of taxation, however, remained an unsolved issue until as late as

* Similar treaties were quickly negotiated by the other European powers and by the United States. See below, Chapter Five.

[p. 15]

2: Murphy G-4 (no date) 1953 AF15 East China AF15

633 1899, when it was finally agreed (largely as a result of diplomatic
651 pressure) that no Chinese taxes could be collected within the foreign settlements except maritime customs dues (administered by an organ of the Chinese Government staffed by foreigners and Chinese) and the land tax (since the land remained Chinese property), while the Shanghai Municipal Council was free to tax both foreign and Chinese residents of the Settlement.

● 648 701 Neither the Shanghai Municipal Council nor the foreign consuls at Shanghai were ever legally empowered to hinder the passage of Chinese troops through the foreign settlements, although Chinese troops were successfully excluded by *force majeure* and diplomatic bluff from the time of the first threat to the foreign settlements at the so-called Battle of Muddy Flat in 1853.* However, all of the Western powers having treaty relations with China claimed the right to land their own troops in the Settlements for the protection of the property and lives of their citizens. While this right was never formally enunciated in any treaty or agreement, it was practised on numerous occasions when troops landed from foreign warships in the harbor joined the Shanghai Volunteer Corps in defending the Settlement. The foreign settlements were never invaded by a hostile force (although bombs and shells landed there in 1932 and 1937), nor occupied by Chinese troops, from 1853, when the Volunteer Corps was formed, until Japan's assault on China engulfed all of the city after Pearl Harbor in 1941.

648 692 The most important right of the foreigners at Shanghai was extraterritoriality, which placed citizens of all powers having most-favoured-nation agreements with China under the jurisdiction of their own national laws wherever they went within China. This principle was first enunciated in the Treaty of Wang Hsia between China and the United States in 1843, and the law was in practice administered to foreigners by their own consular courts. Extraterritoriality gave the foreigners advantages in business and in security of person and property; at Shanghai it was the only solid legal basis

* An incident in the Taiping Rebellion (1850–1864), when Shanghai was for long periods surrounded by rebel or imperial forces. On this occasion, the foreign residents of the city, aided by crews from their ships in the harbor, cleared out a large encampment of imperial troops which had been established within the Settlement boundaries. See F. L. Pott, *A Short History of Shanghai* (1928).

2: Murphy G-4 (no date) 1953 AF15 East China AF15

of real significance for the existence of the city as a foreign enclave. (All special rights of foreigners in China, including extraterritoriality, were renounced by the treaty powers in 1944. Shanghai is now governed as a single unit by the Communist administration.)

The practice at many other treaty ports in China differed. At some, outright territorial concessions were made to each important foreign trading power; at others, the Chinese authorities established "international settlements" where foreigners might purchase land; at others, as at Shanghai, certain areas were reserved for foreign leasing (and later foreign purchase), with title deeds issued by the Chinese Government. Altogether, more than forty such treaty ports were established in China (some of them in fact inland centers far removed from navigable waterways), and administrative practice differed widely among them. The one common feature of all the treaty ports was that goods entering the "port" were exempted from all further taxation on their domestic movement by the payment of one inclusive tax. This provision was intended primarily to expedite the foreign trade of the treaty ports, but it also acted to encourage the movement of domestic trade through these cities with the streamlined tax system as compared with the multiplicity of local taxes which otherwise interrupted the movement of goods within China.

At Shanghai, there were three independent political units (map 3). First, the original Chinese city, to which were added, as the city grew after its opening to foreign trade, areas of predominantly Chinese occupancy outside the limits of the foreign settlements. This Chinese area was governed by the local Chinese county authorities until 1928, when the Nationalist Government established the Municipality of Greater Shanghai (map 5), a new administrative unit covering all of Shanghai outside the foreign settlements, responsible directly to Nanking and independent of local authorities. (It totalled 320 square miles, most of which remained open rural country outside the conurbation.) Second, the so-called International Settlement, which had originally been British and which was opened to all foreigners in 1854. This was the largest and most populous single political unit within the conurbation, and it included the city's commercial core, most of its manufacturing, and most of its shipping frontage. Third, the French Settlement, usually miscalled the "French

2: Murphy G-4 (no date) 1953 AF15 East China AF18

foreign community. It was only after 1900, when the Japanese became one of the leading groups in the foreign community, that the proportion of foreign women reached even a third.

The Japanese are Shanghai's nearest foreign neighbors, and with their industrial experience and their drive for economic expansion overseas, they made Shanghai one of their most important industrial centers, especially for the manufacture of cotton textiles, taking advantage of relatively cheap Chinese labor, locally grown cotton, and cheap power to produce for the China market inside the low tariff wall. The Treaty of Shiminoseki in 1895, which ended the war of 1894–5 between China and Japan over Korea, first granted to foreigners the right to establish factories in the treaty ports of China, and this originally Japanese privilege was then taken advantage of by all the other powers having most-favored-nation treaty agreements with China.

Despite foreign investments, however, Shanghai remained a Chinese city, still politically dominated by the handful of foreigners, but economically more and more maintained by the Chinese, as native industrial and commercial capital and management were increasingly added to native labor in the growing industry of the city during the twentieth century.*

Shanghai and China

Throughout the period 1843–1937, the foreigners at Shanghai pressed the Chinese authorities for an extension of their own administrative powers and of the area of the two foreign settlements. In this endeavour they found lukewarm support or outright opposition from the foreign diplomatic representatives at Peking and from the foreign offices in the home countries, who shied away from the implications of full sovereignty over Chinese territory and who continually reminded the overzealous foreigners in Shanghai of their precarious and equivocal legal position in asserting "rights" of taxation, defense, and administrative independence. The complex political and economic structure of modern Shanghai was erected primarily on the precedents resulting from bluff, maneuver, and *force majeure* of the assertive foreign residents of the city.

* A majority of the city's industrial enterprises were Chinese-owned by at least 1920.

2: Murphy G-4 (no date) 1953 AF15 East China AF15

In this progress they were aided by the decline of the imperial government of China, the Ch'ing, or Manchu, dynasty. The military and economic impact of the West during the nineteenth century accelerated the decay of the Ch'ing, which had ruled China since 1644. The imperial government's attitude toward the foreigners at the time the first treaty ports were established was still, despite the Anglo-Chinese war of 1841–42 and its humiliating defeat for China, that these Western barbarians must be kept on the margins of the empire and that they must not be treated as equals by receiving them at Peking. Negotiations at each treaty port for the establishment of foreign settlements or concessions were accordingly left in the hands of local officials, but by the time it became apparent that the foreigners could not be contained by such methods, the Ch'ing government was too weak to prevent their further encroachment. It was the hesitancy of the foreign offices at home rather than the lack of opportunity in China which stopped the process short of colonialism.[4]

With the downfall of the imperial system and the rise of republican China under the leadership of the Nationalist party, Chinese nationalism became increasingly jealous of Shanghai as a foreign creation which was an excrescence on the Chinese body politic. While the Chinese were wrong in assuming that twentieth-century Shanghai was primarily a foreign creation, they were right in fixing on the city as the outstanding symbol of the economic exploitation of China by Western commercialism, and as the principal reminder of China's unequal-treaty status with the Western powers. This reaction against Shanghai and against what it stood for was one of the few points on which Nationalists and Communists have consistently agreed. Despite the fact that he and prominent members of his party earned considerable wealth out of the Shanghai economy, and despite the profitable existence in Shanghai of a major segment of China's manufacturing and trading firms as well as its leading banks, Generalissimo Chiang Kai-shek (Chairman of the Nationalist party) had this to say about the treaty-ports in 1943:

> year after year our country's life was increasingly concentrated in these areas. . . Within the concessions the only ones that prospered were the compradores (Chinese agents for foreign firms) . . . and no productive enterprises developed in these ports because they could not absorb people

2: Murphy G-4 (no date) 1953 AF15 East China AF15

from the agricultural villages . . . Economic reconstruction must have its foundation in the national economy. . . This abnormal development of the national economy could not be adapted to the defense needs of the state. . . The main communication routes were based on these easily blockaded cities . . . the imperialists could have strangled the country's economic life. . . The state could not protect itself and the people could barely exist. . .[5]

The Communist condemnation is even more specific:

Shanghai must break off its dependence on the imperialist economy and must be changed from a city where imperialism, compradores, and bureaucrats oppress and exploit the people to one which produces for the domestic market and serves the people. . . Shanghai is the concentrated, typical expression of the colonial or semi-colonial nature of old China's economy. Its so-called prosperity in the past was not founded on an independent, sound economic basis, but on bureaucratic capitalism and on imperialism and its compradores. Shanghai's production was mainly for the selfish interests of a handful of foreign exploiters and domestic compradores and bureaucrats. Most of Shanghai's key enterprises were in the hands of foreigners or Chinese bureaucratic capitalists. The raw materials and power of many industries had to depend on foreign supplies. Such colonial or semi-colonial economic status must be discarded before Shanghai can become a truly prosperous new peoples' city. . .[6]

The Communist armies took Shanghai on May 27, 1949, and in the following months plans were discussed for the relocation of some of Shanghai's manufacturing and population to inland centers where they would be less exposed to outside attack and where their economic activity would redound more generally to the welfare of the country as a whole. These plans were given additional impetus by the Nationalist blockade of the coast and by the United Nations embargo which has followed it, which at present writing appear to have curtailed industrial production in the city to a considerable extent. Writing in late August of 1949, the then mayor of Shanghai, General Chen Yi, stated that the official Communist program for Shanghai was to "change (its) industrial policy from that of dependence on imperialism to that of serving the Chinese people." In order to accomplish this end, and to minimize the effects of the blockade, "we must evacuate the population of the city systemati-

2: Murphy G-4 (no date) 1953 AF15 East China AF15

166 cally and transfer factories to the interior wherever possible."[7] While
● 648 no details have been published on Communist plans for the reloca-
656 tion of Shanghai factories, this has been a recurrent theme in general policy statements. How much will be done about it remains to be seen, and may depend in large measure on how long the current trade restrictions remain effective. While such relocation might be dictated by non-economic considerations, it is the writer's opinion that it would economically be unwise, at least at the present stage of the Chinese economy as a whole.

But the foreign Shanghai which Nationalists and Communists alike have castigated is now a thing of the past. As much a Chinese as a foreign creation by at least the time of the first world war, the city has now become politically and economically an integral part of China. The course of Chinese nationalism and of the Westernization of the Chinese economy, both developments begun in and stimulated by the growth of Shanghai, have reclaimed the city.

2: Murphy G-4 (no date) 1953 AF15 East China AF15

133 361 (a common practice in the delta), or to maintain proper ground levels for the flooding of rice paddies. It is therefore unlikely that foreign settlement was fixed in any respect by the protection or by the higher and drier ground which natural levees would have afforded.

648 A frontage on the navigable Whangpoo, completing the water defenses around the British Settlement, was an additional source of security for the foreigners, since it permitted British naval vessels to command the entire site with their guns. George Balfour, the first British consul at Shanghai, in expressing his approval of Pottinger's choice of a site, stressed the importance of the Whangpoo on this point: "By our ships our power can be seen, and if necessary, felt."[9] This consideration may have been a factor in the decision to retain the prohibition against building on the river side of the Bund, a problem which is discussed in more detail below. Certainly foreign naval vessels have been prominently anchored off the Bund at every period of Shanghai's history from 1843 until the Communist take-over in 1949.

503 Along the Whangpoo and Soochow Creek, the muddy tidal foreshore was not usable for buildings or wharves until embankments had been constructed. This process, known in all the China treaty ports by the Anglo-Indian term "bunding," was a continuing job requiring large sums of money. In the case of the famous Bund along the Whangpoo frontage of the International Settlement from Soochow Creek to the Yang Ching Pang, the terms of the original grant of lease rights by the Chinese government to British subjects prohibited building within thirty feet of the high-water mark, which space was to be reserved as a tow path for the use of Chinese trackers pulling boats upstream.

503 367 When the rights of the Chinese trackers lapsed by the mid-1850's in the face of the growing foreign stake in Shanghai and the demands of steam navigation, the Shanghai Municipal Council inherited this waterfront strip by default and successfully defended it against the designs of foreign traders who wished to make commercial use of the area for warehouses and offices which would be convenient to the river.[10] The Council undertook the bunding of this strip in 1862, and in the process extended it beyond the high-water mark to

2: Murphy G-4 (no date) 1953 AF15 East China AF15

The port of Hong Kong however owes its ascendancy as much to its political status as to its physical advantages. Acquired by the Treaty of Nanking in 1842 at the close of the first Anglo-Chinese war as a British rival to the Chinese-controlled trade at Canton, it has since its founding served as an entrepôt for the entire China coast. Since at least 1865 it has transshipped annually between 20 and 25 per cent of China's total foreign trade by value, aided by its treaty status as a free port.* Hong Kong has nevertheless yielded first place as a port to the greatly inferior harbor of Shanghai, located on the mainland and more closely oriented to China's productive areas and transport routes.

The coastline becomes emergent at about the mouth of the Chientang River in Hangchow Bay. There is only one natural harbor on the coast north of Hangchow used regularly by a large volume of ocean shipping: Tsingtao, on the rocky promontory of Shantung. Chefoo, also on this promontory, has a good, though somewhat shallow, natural harbor, but it has been relatively little used or improved. Weihaiwei, near the tip of Shantung and thus one of the most seaward ports in China, is a largely artificial harbor constructed by the British at the turn of the century for their naval vessels (following a decade of "concessions" by the crumbling Ch'ing government to the European powers), but its large protected roadstead has attracted little commercial shipping.

It is an unfortunate circumstance that these few adequate harbors are in effect isolated from the body of north China by the crystalline mountains of Shantung and by their out-of-the-way location. This situation is responsible for the small importance of Chefoo and Weihaiwei as ports, as well as for the fact that they still have no railway connections. Shantung, originally an island in the Yellow Sea, has been land-linked by silt deposition from the Huang, yet its harbors are economically cut off from the mainland. In a more highly industrialized economy, these harbors would probably be more important, but the almost complete lack of water transport links between them and the north China hinterland decrees for them under present conditions a relatively minor role.

Tientsin, the leading port of north China, forty miles from the sea on the Pei River, fight a losing battle against silt. Two rivers flow-

* Hong Kong is not included in the customs figures for China.

2: Murphy G-4 (no date) 1953 AF15 East China AF15

FIVE

The Opening of the City to Foreign Trade and its Early Development

Canton and the Treaty Ports

The treaty ports* were an answer to the expansionist foreign pressure for trade with seclusionist China. The Ch'ing government (1644–1911) hoped that by granting trade privileges only in these cities it could confine the scope of the Westerners and protect the body of China from their disturbing activities. But when the Canton system was broken by the Anglo-Chinese war of 1841–42, the foreigners envisaged a continually expanding trade with the potentially immense China market. Sir Henry Pottinger, chief of the British delegation at the Treaty of Nanking, stated that the treaty had opened to trade "a market so vast that all the mills of Lancashire could not make stocking stuff enough for one of China's provinces."[1] Western economic enterprise, once given a foothold and an opportunity under its own laws to buy and sell with the Chinese, was a dynamic growth which could not be checked by treaty provisions.

The Canton system of the eighteenth century, under which the British East India Company and later private American firms were permitted to establish trading factories in a limited area of the city set aside for them, was an increasing annoyance to foreign merchants. Several diplomatic missions to Peking, including that of Viscount Macartney in 1793 and of Lord Amherst (who was not even received by the court) in 1816, all failed to obtain a relaxation of

* Canton, Amoy, Foochow, Ningpo, and Shanghai were opened to foreign trade by the Treaty of Nanking in 1842, and eleven further ports, including Hankow, Kiukiang, Chinkiang, Nanking, and Tientsin were added by the Treaty of Tientsin in 1858, although the actual opening of Nanking was deferred until 1899, a reflection of its poor location compared with Shanghai (see map 1).

2: Murphy G-4 (no date) 1953 AF15 East China AF15

restrictions on the trade at Canton or the opening of further ports to foreign trade. These changes finally came about only as a result of the Anglo-Chinese war of 1841–42. Under the old system at Canton, foreign traders were virtually confined to their trading factories, were forbidden to bring in women or arms, and were allowed in Canton at all only during the trading season, which largely as a result of monsoon winds essential to overseas trade movements by sailing vessels, and particularly favorable to shipping in and out of Canton, lasted from September to April. However, the foreigners thus avoided the uncomfortably tropical summer in Canton. They spent the hot months for the most part in Macao, a remnant of the once extensive Portuguese empire in the East, at a distance of some 75 miles southeast of Canton and on the tip of a hilly and narrow peninsula jutting into the sea, where the breeze seldom failed.

Most cramping of the restrictions was that requiring all foreigners to trade only through the Canton merchants' guild, or Cohong, established with official support in 1720 as the principal instrument for controlling the foreigners, armed with full governmental powers of enforcement of the factory regulations, as well as the monopoly of trade with the foreigners under conditions which yielded them enormous profits. Disputes between Chinese and foreigners arising out of the trade were settled by the Cohong, and protests against abuses could be made by foreigners to the Chinese government only through the Cohong.[2]

One of several attempts to break out from this system independently of the Government at Peking was made in 1832, when the British East India Company (shortly before its monopoly of the British trade with China was removed by Parliament in 1834) sent the ship *Lord Amherst* with a commercial mission under Hugh Lindsay (with the Rev. Karl Gutzlaff as interpreter) to request trade privileges from the local officials at other ports on the China coast. Lindsay was refused entry at Amoy, Foochow, and Ningpo, but he obtained an interview with the taotai (Intendant of Circuit, or chief local official) at Shanghai. The taotai informed Lindsay that Canton would remain the only port where foreigners could trade, but Lindsay was enthusiastic about the possibilities of Shang-

2: Murphy G-4 (no date) 1953 AF15 East China AF15

dinary advantages which this place possesses for foreign trade it is wonderful that it has not attracted more observation."[7]

The lack of attention to Shanghai of which Lindsay complained had been beyond the powers of the foreigners to remedy, as Lindsay discovered for himself when his request for trade privileges there was refused. The tension at Canton finally resulted in open hostilities nine years later. Early in the course of the war of 1841–42 the British occupied the Chusan Islands at the mouth of Hangchow Bay, and interest was revived in making that well-protected site the principal base for British trade, as earlier surveyors, including Lindsay, had suggested.* However the further progress of the war required British occupation of the mainland ports, and a fleet under Sir William Parker, after taking Amoy, Foochow, and Ningpo, arrived off Woosung June 13, 1842, and captured the forts commanding the mouth of the Whangpoo. The British planned to invade the Yangtze valley and by appearing in force on the river and capturing Chinkiang block the movement of rice via the Grand Canal to Peking.

Shanghai was taken, and then evacuated by the troops on June 23, in order to concentrate on the advance to Chinkiang and Nanking. The treaty, signed at Nanking on August 29, created the treaty ports already named, where British merchants and their wives could reside permanently, with their own consuls, and importing goods into China under a fixed and nominal tariff (it averaged about 5 per cent *ad valorem*) without any requirement to trade through a Cohong or under official supervision. Article II of the treaty contained the provision that "British subjects shall be allowed to reside, for the purposes of carrying on their mercantile pursuits, without molestation or restraint, in the cities of Canton, Amoy, Foochow, Ningpo, and Shanghai . . . Her Majesty, the Queen of Great Britain (etc.) will appoint superintendents or consular officers to reside at each of the above mentioned cities to be the medium of communication between the Chinese authorities and the said merchants . . ."[8]

No other mention was made in the treaty about foreign rights of

* This plan was not abandoned in favor of Hong Kong until the very end of the war.

2: Murphy G-4 (no date) 1953 AF15 East China AF15

settlement or holding property, and certainly areal concessions were not in the mind of either of the parties. The right to lease land was left to be negotiated in each case through the local officials at the treaty ports, a reflection of Peking's lack of interest in relations with the foreigners. Article XI of the Treaty of Tientsin in 1858 legalized this practice, already developed in the treaty-ports "including the right of residence, of buying or renting houses, of leasing land, and of building churches and cemeteries."[9] On this flimsy legal basis, the political and economic structure of foreign Shanghai was erected.

Trade had escaped from its traditional Chinese cage at Canton, and was able at Shanghai to develop on a Western pattern by Western rules instead of being regulated at every point by semi-official Chinese merchants. The Treaty of Nanking between China and Great Britain was followed in 1843 by the Treaty of Wang Hsia between China and the United States, which extended trade and residence rights in the treaty ports to United States citizens and which also stated explicitly for the first time the condition of extraterritoriality. Similar treaties were negotiated by France and Russia in 1844 and 1858 respectively.

The Settlements at Shanghai

George Balfour, the first British consul at Shanghai, arrived November 8, 1843, and declared the port open to foreign trade on November 14. His primary job was arranging for the leasing of land to foreign traders. His original agreement with the taotai in 1843 provided for an area of about 43 acres within the site selected by Pottinger where foreigners might lease land in perpetuity, since the Chinese at that time refused to sell. The western boundary of this area was extended by similar agreement in 1845 to include a total of about 180 acres, and in 1849 the boundary was moved farther west to Defense Creek, bringing the area of the British Settlement to 470 acres (map 6). The maps attached to each of these agreements were lost when the Chinese city was taken by rebel forces in 1853 and when the British Consulate burned in 1870, and the boundaries of the Settlement were not demarcated at all until 1889.

Foreign merchants who leased land within this Settlement had to agree by contract to allow the former Chinese owners to visit their

2: Murphy G-4 (no date) 1953 AF15 East China AF15

ancestral graves at will. During the first months after November 1843, many of the Chinese owners refused to vacate houses and land already leased to foreigners and had to be paid a fee or were forcibly ejected. The numerous disputes over the property rights of foreigners resulted in the Land Regulations of 1845 negotiated between Balfour and the taotai which, *inter alia*, forbade Chinese residence within the Settlement and made foreigners responsible for its upkeep and policing from their own funds. These were raised by a committee of foreign merchants, appointed by the British consul, which assessed each foreign landrenter and controlled community expenditures.

An American Settlement in Honkew, never defined or legally established, amalgamated with the International Settlement in 1863. The French merchants, however, proceeded independently and negotiated with the taotai their own set of Land Regulations, issued in 1849, for an area set apart for French leasing immediately south of the International Settlement, between the Yang Ching Pang and the city wall. This Settlement, and its later extension, inaccurately titled the French "Concession," remained under separate French administration until the rendition of all foreign rights.[10]

While the position of the foreigners at Shanghai fell far short of actual sovereignty, it was a long step from their confined position at Canton. Travel into the surrounding country was permitted on condition that the travelers return to Shanghai the same day, and there was no requirement for the foreigners to leave at the end of the trading season as formerly at Canton. Most important, however, was the escape from the Canton Cohong. Foreign traders were now free to deal with any Chinese merchant they wished, and could employ their own Chinese agents for buying and selling in the hinterland, a significant advantage which the foreign firms soon put to use. Business could be conducted without the semi-official supervision of the Cohong and its function as the watchful eye of Peking in all dealings with the foreigners.

This monopoly, so useful both economically and diplomatically, died hard. In Canton, the Cohong continued in effect in disguised form by the simple device of preventing the appearance of other Chinese firms in the market. All trading with the hinterland was managed through the Cohong firms as before, and foreigners could

2: Murphy G-4 (no date) 1953 AF15 East China AF15

since only they could make such large investments, and could spread the risk of loss over many distribution centers in the interior. Only the largest firms could also keep prices reasonably uniform throughout the year by balancing seasonal and regional losses against seasonal and regional gains.

These operations could not be conducted by foreign firms from a non-Chinese port (such as Hong Kong, or such as was at one time envisaged on Chusan Island), where customs dues and handling charges would be added costs, and because much of the Yangtze trade can best be conducted by junks which are usable over most of the basin's waterways but are not suitable for coastal navigation. Junks drawing between five and eight feet can navigate both the upper and lower Yangtze (i.e., above and below Hankow) as well as most of the major tributaries and the larger waterways of the delta. Their shallow draft and unseaworthiness eliminate them from coastal navigation; a dual-purpose junk would be an overly expensive carrier. Cargo packed at the Shanghai headquarters of foreign firms for shipment to inland centers can be packaged more cheaply for river transport than would be possible for non-Chinese entrepôts dependent on coastal shipping for their connection with the transport routes of the mainland.*

All of these factors, in particular the advantages accruing to the largest firms from the seasonal variations in water transport facilities, redounded to the benefit of Shanghai, since the great majority of the largest foreign and Chinese firms engaged in the import and export trade had their headquarters there. Hankow was handicapped in its direct foreign trade by the low-water period of winter, during which most ocean ships could not reach the city. Shippers preferred to operate out of Shanghai as the only year-round ocean port for the Yangtze basin.

The advantages of unfettered access to this trade artery were apparent to the early foreign traders at Shanghai before the Yangtze was opened to foreign steam navigation by the commercial section

* A statement from a "businessman of wide experience in China," cited in R. C. Feetham, *Report to the Shanghai Municipal Council* (1931), I, 289–90, makes many of these points. What is discussed here is of course the "break-in-bulk" theory. The statement goes on to say that "fully 80 per cent of cargo delivered to ultimate consumers in China moves via waterways."

2: Murphy G-4 (no date) 1953 AF15 East China AF15

of the Treaty of Tientsin in 1860. (Large-scale foreign trading on the river was in effect delayed until after 1862 by Chinese recalcitrance resulting in a second British campaign in 1860, this time to Peking itself, and by the progress of the Taiping Rebellion in the Yangtze basin.) Rutherford Alcock, British consul at Shanghai in the early 1850's, was of the opinion that "it is vain to look for improvement in British imports while these great trunk lines of inland commerce [i.e., the Yangtze system] are closed to the transit of our goods."[8] The British campaign of 1858 against the Ch'ing Government, and its sequel in 1860, had as one of its chief objectives the opening of the Yangtze to British trade and the addition of Chinkiang, Kiukiang, and Hankow to the list of treaty ports. All three were opened by 1861, and with free navigation on the Yangtze, Shanghai was at last able to implement its location to the full.

Graph 3 suggests the effect of these changes on the foreign and domestic trade of Shanghai. Both total trade and re-exports of foreign goods increased only slightly between 1859 and 1862 owing to the problems referred to in the preceding paragraph, but by 1865 there was a ten-fold increase over the figure for 1859 in the value of foreign goods re-exported to Chinese centers. The total value of trade rose in the same period by nearly 34 per cent. The trade report of the British consul at Shanghai for 1864, commenting on this growth, attributed it entirely to "the large and increasing trade from ports opened on the Yangtze."[9]

The same report pointed out that from a total of 34 million Haikuan taels' worth of foreign imports to Shanghai in 1864, 26 million was re-exported to Chinese centers, by virtue of the city's newly-opened water connections with the interior. Consular trade reports in the early and middle 1860's from the newly-opened treaty ports on the Yangtze indicate that these ports shipped the bulk of their exports to Shanghai for re-export, and received from Shanghai the bulk of their imports of foreign goods, principally opium.[10] Hankow, the largest trade center among the Yangtze treaty ports after Shanghai, despite its channel to the sea for ocean-going ships, carried on its exchange transactions with Shanghai rather than with London, and all of the foreign and most of the

2: Murphy G-4 (no date) 1953 AF15 East China AF15

Chinese commercial houses in Hankow were branches of Shanghai houses.*

The foreign merchants at Shanghai, aware that their trade was increasingly based on the commercial exploitation of the entire Yangtze basin now made possible by the new treaty, combined in 1868 to finance an expedition under the leadership of Alexander Michie and Robert Francis to explore the trade of the upper Yangtze. The leading American firm in Shanghai, Russell and Company, paid the travel expenses of the expedition by steamship as far as Hankow, and the remainder of the expenses were met by the Shanghai Chamber of Commerce, from which body the members of the expedition had been selected.

The report of these delegates, published in 1869, stressed the importance of water transport in the trade of major commercial centers along the Yangtze, and in the overall movement of domestic trade to and from Shanghai. They noted the extensive tea shipments moving via the Kan River and its tributaries and Poyang Lake to Kiukiang and Hukow and thence via the Yangtze to Shanghai. They commented on the widespread water connections of Hankow, via the Han River system, which brought tea, hides, hemp, timber, and vegetable oils for transshipment to Shanghai, and via the Hsiang River system, which brought mainly tea and cotton. Szechuan sent hemp, hides, bristles, tea, vegetable oils, and opium via the Yangtze to be transshipped at Hankow for Shanghai, these goods having originally been assembled at Chungking via the Chialing, Yangtze, and Min Rivers.[11]

British dominance of the trade of the newly-established treaty ports was secure, but the organic connection between the growth of their primary stronghold at Shanghai and a similar dominance of the Yangtze hinterland which fed it was perhaps the most compelling reason for the early development of Britain's traditional sphere of influence in central China and throughout the Yangtze basin. In north China they could better afford to give ground later in the nineteenth century to Russia and Germany, and in the south to

* The British consul at Hankow notes this pattern in his trade report for 1865, which further emphasizes the conditions of Yangtze trade favoring a monopoly by the large Shanghai firms.

2: Murphy G-4 (no date) 1953 AF15 East China AF15

share hegemony to a degree with France, but along the Yangtze British preponderance was the logical accompaniment of Britain's trade investment in Shanghai. Without the Yangtze, Shanghai was merely an indifferent harbor.

Two major changes in trade movements resulted from the opening of the river and its tributaries to foreign navigation, aside from the overall increase in foreign trade moving to and from Shanghai. First, the diversion of the export trade of central China (including the Yangtze basin) from Canton to Shanghai, as indicated above in Chapter Four. Under the artificial Canton system, goods for export from central China were obliged to move across the grain of the country in order to reach the only port where foreigners were permitted to trade. The opening of the Yangtze allowed this trade to drain by its natural channels. Two major routes had led from central China to Canton: one from Hankow to the headwaters of the Hsiang River and over the 1400-foot Cheling Pass with a land portage of 26 miles into the headwaters of the Pei River, and one from the lower Yangtze basin via the Kan River to its headwaters near the Meiling Pass at 1000 feet, with a land portage of 24 miles to the headwaters of a tributary of the Pei (map 4). Canton had drawn its trade goods of silk and tea from central China for export via these two routes, but the opening of the Yangtze short-circuited the bulk of this trade to the much closer port of Shanghai.

Goods from central China began in fact, after the effective opening of the Yangtze in 1862, to move to Canton via Shanghai by coastal shipping instead of by the former overland routes. Chungking in Szechuan, which before 1862 had drawn all of its foreign textiles via Canton, was by 1869 entirely dependent on Shanghai for this supply. The delegates of the Shanghai Chamber of Commerce were sufficiently impressed by this indication of the greatly expanded markets which the opening of the Yangtze created for Shanghai that they succumbed to the old dream of British traders of finding buyers for British woolens. Szechuan, they reasoned, had a climate colder than any of the areas where British trade had theretofore reached, and a boom in the woolens trade there could con-

3: Hinder G-5 (1933-1942) 1944 AF15 East China AF15

CHAPTER I

THE BACKGROUND

648 ON OCTOBER 10, 1942, the governments of Great Britain and the United States announced the relinquishment of their extra-territorial rights in China. The announcement was fittingly made on the "Double Ten Day," the tenth day of the tenth month, anniversary of the founding of the Chinese Republic in 1911. It brought to an end a century of special privileges for citizens of the two countries concerned, and heralded the passing of concessions and settlements. Among these was the International Settlement in Shanghai, where, indeed, at the moment of the announcement, Japanese military exercised actual control. The intention was nevertheless clear that, when the invader had been expelled, the actual government and not only the theoretical sovereignty of the International Settlement in Shanghai would pass into the hands of the Chinese Government.

648 633 The complex administrative composition of the Shanghai which existed in the decade 1933-1942 to which the efforts described in this monograph refer, was well known to students of Far Eastern problems. From 1927 onwards three distinct political administrations exercised jurisdiction over three well-defined areas. The Shanghai Municipal Council, dating from 1845, ruled over the International Settlement, an area of some 8.94 square miles, slightly more than half of which lay north of Soochow Creek and the remainder to the south of it. The French Municipal Council functioned in the French Concession, an area of 3.95 square miles to the south of the International Settlement. Two districts, one west and one north of the Settlement, were known as the Extra-Settlement Roads areas, where the Shanghai Municipal Council owned the roads by right of purchase under treaty provisions, and permitted enfranchised public utilities to use them for transportation and other services, but where the enclaves between the roads were Chinese-administered. Some changes occurred after the outbreak of Sino-Japanese hostilities in 1937 when Japanese military

648 633 722

3: Hinder G-5 (1933-1942) 1944 AF15 East China AF15

exercised certain controls in the area of the Settlement north of the Soochow Creek. The Western Extra-Settlement Roads area passed in 1942 completely into the control of the Chinese City Government.

The governing body of the International Settlement was the Shanghai Municipal Council, of international membership. From 1930, soon after Chinese members first took seats on the Council, until 1941, it consisted of 14 members. Nine foreign members were elected by foreign ratepayers, and the general convention of its composition—five British, two American and two Japanese members—was observed. Five Chinese members were chosen by representative Chinese organisations. The allocation of seats in no way satisfied Japanese aspirations, and on several occasions they sought to increase their representation. In April 1941 a change was made which gave three seats each to British, American and Japanese members, and widened the basis of representation to include one German, one Dutch and one Swiss member. Four seats were allocated to Chinese members. The newly constituted Council proved a success. It pursued vigorous policies and faced many issues, the solution of which political impotence had previously made impossible. Functions formerly exercised by a ratepayers' meeting passed into the hands of the Council.

The administration of the French Concession was under a French Municipal Council appointed by the Consul-General for France. The Chinese City Government was presided over by a Mayor, appointed by the Chinese Government. The Chinese-administered area in Shanghai was a "special municipality," under direct control of the National Government of China, not of the province of Kiangsu in which it was situated.

Chinese citizens resident in the two foreign-administered areas were subject to Chinese Courts presided over by officials appointed by the Chinese Government. After the withdrawal of the Chinese Government to Chungking in 1938, the judges of the First Special District Court (in the International Settlement) and of the Second Special District Court (in the French Concession) remained unchanged for a time. In 1940 the Japanese-influenced Nanking Chinese Government obtained control over the Second Special District Court. Chungking-appointed judges were replaced in the First Special District Court when Japanese military occupied the

3: Hinder G-5 (1933-1942) 1944 AF15 East China AF15

International Settlement after the outbreak of Pacific hostilities in December 1941. Under the extra-territorial system foreign residents were subject to the laws of their own country and tried in consular courts. Russia relinquished her rights in 1924; Germany and Austria lost theirs in the war 1914-18.

On December 8, 1941 when Japan attacked Great Britain and the United States, the Shanghai Municipal Council agreed to carry on its functions in the interest of the civilian population. At the close of the year, however, the resignations of American, British and Dutch members of the Council were requested. The British chairman was replaced by a Japanese chairman. In the eyes of the Japanese authorities the agreement reached earlier in the year as to the composition of the Council remained in force, but was considered suspended. The places of resigning members were not filled. The Council carried on with four Chinese, three Japanese, one German and one Swiss member. The international character of the Council was technically preserved.

The free exercise of authority by the Council was, however, restricted. During the first eight months of Japanese occupation more than 80 senior British police were replaced by Japanese, and Japanese came to occupy also the ranking posts in the Secretariat, in the Public Health Department and in the Industrial and Social Division. No major question could be decided by the Council without reference to the Japanese authorities, and, further, the Council was given instructions by the Japanese which it had to carry out. In short, while pursuing its normal municipal functions unhampered, it began to be an instrument of Japanese occupying forces.

IT IS CLEAR THAT in a city whose administrative controls have been so divided there would be complications in the carrying out of the most elementary administrative tasks. For many years the dominant feature of Shanghai was its administrative disunity. The absence of plenary powers on the part of the Settlement at any rate created peculiar difficulties in dealing with problems inherent in large cities.

The authority of the Shanghai Municipal Council derived from the Land Regulations drawn up in 1854 and from Byelaws attached thereto. Later alterations did something to widen initial provisions,

3: Hinder G-5 (1933-1942) 1944 AF15 East China AF15

but until the occupation of the Settlement by Japanese forces in 1941, this document, the Settlement's constitution as it were, remained practically unchanged. Any change in Byelaws required the consent of a special meeting of ratepayers with a stipulated quorum of the Consular Body in Shanghai, of the Diplomatic Body. Changes in the Land Regulations required approval of the Chinese Government. A Chinese Government which resented the existence of areas alienated from its control refused to contribute to the perpetuation of foreign administration by agreeing to changes in Land Regulations. Thus for several decades prior to 1941 the Council had to proceed under an archaic set of constitutional powers. It possessed no specific power to deal with labour and social issues. After the occupation of the Settlement by Japanese forces and the consequent coming under Japanese direction of the whole Council administration, pseudo-changes in the Land Regulations were considered. No final information is available on this matter, but presumably the form would be gone through of submitting them to a Council which was under Japanese influence, to a compliant Consular and Diplomatic Body consisting of Axis and neutral representatives, and to the Japanese-sponsored Chinese Government in Nanking, whose consent to changes could, it is assumed, be obtained. By this procedure a semblance of legality would be sought. Whether legally obtained or not, the Nanking-stafed First Special District Court in Shanghai would apply byelaws derived from newly assumed basic powers in the Land Regulations.

The Organic Law Governing Municipalities promulgated by the Chinese Government in 1930 by comparison granted wide powers to municipalities created by that Government. In particular, Sub-section 5, Article 8 of this Law gave to municipalities the power to administer and bureaucratically to enforce provisions relating to labour.

Possibly because of the lack of enabling byelaws, but possibly also because concern with industrial and social issues came late in China itself, the Council's consideration of certain types of social problems was late also. It was natural that the first municipal emphases historically were logically on the maintenance of public order through police services; on the provision of public health services in a country where modern ideas of sanitation have lagged

3: Hinder G-5 (1933-1942) 1944 AF15 East China AF15

633 tion. Foreign voters were not willing to force a measure providing
466 purely for Chinese social welfare in the teeth of Chinese opposition. Following the failure to secure the proposed byelaw, the Council decided that, until the Chinese authorities themselves moved to regulate conditions of industrial employment, it would make no further attempt to concern itself with these issues. Larger forces, however, were at work. While the Settlement authorities were
665 attempting to limit the work of children, the Kuomintang, the National People's Party of China, met in Canton and adopted a much more extensive platform of social measures. In the late summer of 1926 the Kuomintang army began its march northward from Kwangtung Province and, by March 1927, had entered Nanking, which was to be the capital of the National Government for the next decade.

633 Shortly after, a unified Kuomintang-sponsored Chinese government came into control of the metropolitan area of Shanghai with the exception of the foreign-administered International Settlement and French Concession, and the Extra-Settlement Roads. A Bureau of Social Affairs, responsible for industrial conditions, was established by the new national government. Within two years of the failure of the Shanghai Municipal Council to obtain authorisation to regulate the employment of children, and its subsequent decision to await movement by Chinese government circles before attempting further action, machinery to introduce progressive action by the Chinese authorities had been made possible.

645 Between 1927 and 1932 the Ministry of Industries of the National
466 Government in Nanking promulgated a series of laws concerning labour. Among others these included a Factory Law, which regulated in general terms such matters as physical conditions and hours of work, wages in relation to living costs, compensation for accidents, termination of employment, factory councils and apprenticeship; a Labour Union Law; a Law governing Arbitration in Industrial Disputes; and others. The difficulty lay in the application of the code. Provisions regarding reform in factory conditions, for example, were so far reaching that early and complete conformity to the standards set could not be hoped for.

648 Moreover, the existence of the foreign-administered areas in
633 Shanghai raised jurisdictional issues. Since the Shanghai Municipal
466 Council was not specifically empowered under the Land Regula-
471 tions to regulate conditions of employment, the Chinese authorities

3: Hinder G-5 (1933-1942) 1944 AF15 East China AF15

claimed the right to "inspect factories in the Settlement," aiming, however, at eventual control of all questions relating to labour in Settlement enterprises. The Council, on the other hand, held the view that, because of fundamental differences in systems of administration of law, the operation of officers of the Chinese Government in the International Settlement was not acceptable.[2] The fear was also entertained that, should regulation of industrial conditions be introduced into, and thoroughly enforced in, the Settlement, unequal competition would result with enterprises outside the Settlement where, it was felt, enforcement would be less complete. On August 1, 1931, when the formal statement of the Chinese Government declaring the Factory Act in force was published, there appeared also a statement by the Shanghai Municipal Council endorsing the principles of industrial regulation and indicating its intention of working toward safe and healthful working conditions. The outbreak of Sino-Japanese hostilities in January 1932 postponed the consideration of means to implement this general statement of principle until 1933, when it was decided to employ the Council's licensing powers to gain the desired ends.

In 1933, a special meeting of ratepayers was again convened, this time to change the general licensing byelaw (Byelaw 34)[3] to include industrial undertakings among the enterprises which the Council might license and hence regulate and inspect. This time the approval of the ratepayers, and subsequently of the Consular Body in Shanghai and of the Diplomatic Body in Peking, was secured by the Council. It then felt it had a constitutional right to license factories and, by this means, to enforce certain conditions. The Chinese view was still that such a byelaw was beyond the Council's powers under the Land Regulations.

The Chinese authorities in the metropolitan areas outside the two foreign-administered areas, having strengthened their position in the five years since the establishment of their municipal government, by now known as the Shanghai City Government, registered their protest at the passage of the amendment to the byelaw. In the eyes of the City Government the International Settlement was the "First Special District" and the French Concession the "Second

[2] "Regulation of Industrial Conditions," *Annual Report*, Shanghai Municipal Council, 1933.

[3] *Land Regulations of the Foreign Settlement of Shanghai*, Shanghai Municipal Council.

3: Hinde: G-5 (1933-1942) 1944 AF15 East China AF15

Special District," areas temporarily beyond, but ultimately to be restored to, its own jurisdiction. The claim was made that only the City Government could regulate Settlement industrial conditions, by enforcing the Factory Law of the Chinese National Government.

An event of importance to the whole problem of law enforcement was the Court Rendition Agreement of 1930[4] between the Council and the local Chinese authorities, which provided for the return to complete Chinese control of the Provisional Court exercising jurisdiction over Chinese citizens of the Settlement and over those residents belonging to nations without extra-territorial rights. From the 1911 Revolution until 1927 there had been a Mixed Court under foreign influence, expressed in part by the sitting of foreign assessors with the Chinese judges in the hearing of cases. Between 1927 and 1930 a Provisional Court functioned, giving place in 1930 to the Shanghai First Special District Court, completely under the direction of the Ministry of Judicial Administration of the Chinese Government. The new agreement provided that the Court should exercise jurisdiction over cases brought in by the Municipal Police of the International Settlement and arising out of infractions of all duly enacted laws of the Chinese Government, together with cases arising from breaches of municipal bye-laws. In limiting the laws which the Court would apply to those duly enacted by the Chinese Government, the agreement excluded the application of regulations promulgated by the various Chinese ministries.

Since the labour laws referred to above in each case state that the competent authority is the municipal government in municipalities and the *hsien* (or county) government in *hsiens*, and since the enforcing municipal authority in Shanghai recognised by the Chinese Government was the Chinese municipal authority, it was logical for the Court owing allegiance to the Chinese authorities to refuse to try a case brought in by a Shanghai Municipal Council organ under any of the labour laws.[5] In the eyes of the Court the

[4] *Municipal Gazette of the Foreign Settlement of Shanghai*, 1930 volume.

[5] All possible means of using the Court as an instrument of enforcement under laws other than labour laws were explored. In 1939 seven workers were burned to death when an apprentice spilled inflammable thinner over a charcoal stove which the owner of the factory had been specifically instructed by Council officials to remove from the workroom. The Municipal Advocate advised that no case would lie under Article 276 of the Chinese Criminal Code which prescribes a five-year

3: Hinder G-5 (1933-1942) 1944 AF15 East China AF15

Council was not a competent authority within the meaning of the Chinese Government acts.

The matter was still further complicated by the fact that many owners of industrial enterprises in the Settlement enjoyed extra-territorial rights. While Chinese legalists argued that extra-territorial rights were of the person and not of the undertaking, in practice Chinese law could not be applied against foreign enterprises owned by those with these rights. At the same time the authorities of the countries with extra-territorial rights held in general that the labour codes of their respective countries did not apply in their Shanghai courts.[6]

---

sentence or heavy fines for negligence causing the death of others by neglecting the degree of care required in an occupation. The proximate agent only is held liable by the Chinese Courts, and in this case he, in the person of the apprentice, was dead. A case was, however, instituted under Article 35 of the Law Governing Penalties for Police Offences, which prescribes detention or fine for one who "undertakes any work or business contrary to mandate or regulations." Judgment was obtained against the factory owner. When, however, later cases were instituted against other factory owners failing to carry out instructions, the cases were dismissed.

[6] Two cases were heard in the United States Court for China in which application of American law was involved. In the first, in 1936, the widow of a linesman brought an action for damages against an American company for alleged negligence on the part of the company which resulted in death by electrocution of her husband. The case was dismissed. In his judgment the Judge stated that cases similar to the one in question were now rare in the United States because of the almost universal adoption of Workmen's Compensation Acts. Counsel for the plaintiff suggested the novel possibility of the Compensation Act of the District of Columbia being applicable. This, the Judge stated, required study. But he expressed the view that "it may not be impossible, even in this difficult jurisdiction, through reasonable construction and elimination of unsuitable portions to preserve the substance of the law in some fair and workable system which would be welcomed by both employers and employees."

A second case arose later in the same year. A non-American employee of an American corporation slipped on the floor of the employer's premises sustaining an injury for which damages were sought in a common law action based on the theory of negligence. The plaintiff contended that the defendant company, not having complied with the Workmen's Compensation Act of the District of Columbia, was barred in this action from maintaining the defences of contributory negligence and assumption of risk. The defendant contended that the District of Columbia Workmen's Compensation Act was not applicable in the Shanghai jurisdiction on the grounds of inherent unsuitability.

The Court ruled that the literal compliance with the District of Columbia Compensation Act would be impossible in the Shanghai jurisdiction, but expressed its belief that the principle of the law of the United States should not be ignored. The judgment referred to the "congressional will manifest in the passage of the District of Columbia Compensation Act" and believed that the "Court might award remedies to injured employees consistent with the spirit and objectives of federal legislation."

Judgment was entered for the plaintiff in the sum of US $1,200.

The Court later temporarily withdrew its Opinion pending further study. It was later restored, and the amount of the award to the plaintiff increased to US $2,200.

3: Hinder G-5 (1933-1942) 1944 AF15 East China AF15

648
633
466
471

How was such a complicated situation to be dealt with? How could a way be found to improve industrial conditions through administrative action? Fortunately the personal relations between the officers of the Chinese City Government and those of the Shanghai Municipal Council were cordial, despite official differences in viewpoint. The Council welcomed the suggestion of the Shanghai City Government that negotiations should be undertaken to discover if a solution could be found to the impasse. Communications on the subject actually began prior to the special meeting of the ratepayers in 1933, and discussions were continued actively immediately after the alteration to the licensing byelaw which had been approved by the Shanghai Consular Body, and before it had received the approval of the Diplomatic Body in Peking. The licensing power, though it had been obtained, was not immediately invoked. It was felt that its use at the time would probably have brought to a head resistance on the part of Chinese industrialists and others. Moreover, if by negotiation a method might be found by which the requirements of the Chinese Government's Factory Act could gradually be applied in the Chinese Courts against citizens of nations amenable to these Courts, and through some other procedure to those of other countries, the status of the national law would be upheld: it would not be replaced by local regulations. A more comprehensive instrument than license was felt to be desirable.

Conversations extended over four months in 1933, but no agreement was reached. In 1934 the Director of the Shanghai Branch Office of the International Labour Office attempted to use his good offices to find a way out of the deadlock, laying useful foundations. Chinese Government delegates to the International Labour Conference in Geneva in 1934 and 1935 raised the question of a solution to the jurisdictional difficulty in Shanghai. Subsequently, the Director of the International Labour Office in Geneva met with government representatives of Great Britain, the United States, Japan, France and Italy, who agreed to discuss the problem with their governments.

Between 1935 and the outbreak of the Sino-Japanese hostilities in 1937, negotiations between the Shanghai Municipal Council and the Shanghai City Government continued. At one point it appeared that a *modus operandi* had been reached, whereby the Council,

3: Hinder G-5 (1933-1942) 1944 AF15 East China AF15

under authority delegated by the Chinese authorities, agreed to apply in the Settlement those portions of the Factory Act which were enforced in Chinese territory. The Consular Body, however, fearing that such an agreement would imply the partial abrogation of extra-territorial privileges, stated that it could be made applicable only to industrial interests within the Settlement which were subject to Chinese jurisdiction—i.e. to foreign residents without extra-territorial rights, and to Chinese. In that case, the Consular Body held, there would be no objection to a clause stating that the Council would, with the consent of the authorities concerned, apply a similar inspection procedure to all other factories by means of the powers vested in the Council by the Land Regulations.[7] No real progress had been made in the negotiations by the autumn of 1937 when, as a result of Sino-Japanese hostilities, the City Government ceased to function and its personnel withdrew from Shanghai.

WHILE THE FRONT STAGE had been given over to negotiations, the Bureau of Social Affairs of the City Government and the Industrial Section, the organ of the Council which had been created to deal with the regulation of industrial conditions, had not been idle. The Bureau had exercised a considerable influence within the Settlement even prior to the 1933 licensing byelaw amendment, and it continued to do so. Its officials did not inspect industrial premises, but they were active in mediating industrial disputes which were frequent and often bitter. Even foreign owners of industrial enterprises, who were most vocal in insisting that inspection of factories should remain in the hands of the Shanghai Municipal Council, in the absence of facilities provided by the Council to assist them in the settlement of industrial disputes yielded to the force of organised labour and in some cases gladly accepted the offer of mediation by officials of the Bureau of Social Affairs. Furthermore, the Bureau established a Statistical Section, which began to collect basic information concerning wages and hours of work, and instituted an intensive study of the cost and standard of living of Chinese workers inside and outside the Settlement. This programme finally produced cost of living index figures which were to play an important part in the adjustment of workers'

[7] *Municipal Gazette of the Foreign Settlement of Shanghai*, August 1936.

3: Hinder G-5 (1933-1942) 1944 AF15 East China AF15

648
633
466
471

earnings in the period of inflation following the 1937 hostilities. The Council's Industrial Section worked steadily at improving health and safety in the Settlement's industrial enterprises. In its desire that nothing should interfere with a possible agreement with the Chinese authorities, it did not, prior to 1937, compete in the mediation of disputes but remained in the less controversial field of hygiene and safety promotion. The concentration of factories and workshops within an area of some nine square miles placed them within easy reach of inspection and made transport a much less difficult problem than was the case for the Chinese authorities, in whose extensive territory factories were widely scattered. While the frequent use of dwelling houses as factories and workshops in the Settlement limited the improvements which could be made, there was a general rise in standards between 1933 and 1937.[8] Trade by trade, a steady drive improved machine safety, safety in the use of pressure vessels, provisions for industrial hygiene, and general working conditions. Relying only on the general authority of the Council and on reason and good will, the Industrial Section used educational means to induce employers to take steps toward factory improvement. The Court could not be invoked, but considerable success was nonetheless achieved.

WITH THE OUTBREAK of Sino-Japanese hostilities in 1937, all industrial enterprises in the Settlement closed. In the western district Chinese and non-Japanese foreign-owned undertakings re-opened shortly after. Those in the eastern district, which was held by the Japanese Naval Landing Party, were in the area of heaviest fighting where blocks of Chinese-owned undertakings were destroyed. Five months after the hostilities had commenced, foreign-owned plants were found to be "islands in a sea of destroyed Chinese enterprise." Comparatively few foreign factories suffered much injury, but they remained closed until the spring of 1938. By the end of 1938 all foreign-owned and many smaller Chinese-owned plants in the eastern district had been re-occupied. Larger Chinese-owned plants were operated by Japanese occupiers. Although Japanese offers of restitution to legal owners with the object of co-operation in their management were made, there was little response by Chinese.

[8] See Chapter III.

3: Hinder G-5 (1939-1942) 1944 AF15 East China AF15

A period of reconstruction ensued until the end of 1940. Much of the money of the nearby provinces had found its way into Shanghai banks during the early days of the hostilities. This money early sought employment. There was a building boom in the western district of the Settlement proper which had been free from fighting and which was one of the few areas on the China coast where Chinese industrial enterprises could develop without Japanese control. In 1938 the Government of China retired successively to Hankow and later to Chungking. Many Shanghai Chinese factory owners, while rebuilding in Shanghai, were prepared also to play their part in the industrialisation of interior China which was to be so significant in the succeeding years. Their plants in Shanghai were equally important for the war effort of Free China, however, in the years that intervened between 1938 and the outbreak of Pacific hostilities in 1941. While Hongkong remained open as a port and until through Japanese instigation the Chinese Customs in Shanghai in the autumn of 1941 prevented the export from Shanghai of certain commodities including cotton goods, very heavy shipments month by month left for the south for transport into interior China. Much cargo found its way out of Shanghai by canals and even by human transport, finally penetrating the Japanese lines and reaching the western provinces. The importance of Shanghai as a supply base during almost four years of war can be recognized when the commodity situation in free China in 1942 and later is considered. There were never sufficient consumer goods in the interior even when the trade channels from the coast were open; but the worsening of the situation and the consequent extreme rise in price levels date from the loss of Shanghai products.

In the western district Extra-Settlement area, in the enclaves between Settlement-policed roads, hundreds of new industrial structures began to rise on former vegetable gardens drained by tidal creeks. Over their construction the Shanghai Municipal Council could exercise no authority. These workshops and factories lacked elementary sanitary provisions, and, because the flimsy buildings were of inflammable material, fires were frequent. But as soon as fire had destroyed a building, the indomitable Chinese small industrialist began its reconstruction. Within the limits of the Settlement proper, the reconstruction period was used as far as possible by Public Works and Health Departments, as well as Fire Brigade

3: Hinder G-5 (1933-1942) 1944 AF15 East China AF15

466 471 178 633 648

and Industrial Division to secure improved industrial conditions. Two contrary tendencies were observed. Owners of destroyed enterprises, previously operating either in the eastern district of the Settlement or in provincial cities, in many cases showed a disposition to take advantage of new construction to erect better and more modern plants in the western district. Control in many of these cases was in the hands of younger men, trained in engineering schools abroad, sons of pioneer fathers who in earlier days had ventured into the field of industry with little capital and had succeeded. The new generation had new ideas. The other tendency unfortunately was in the opposite direction. Men who had lost all, and who were unable to accumulate capital with which to start again on a larger scale, began with very small undertakings in which good working conditions were impossible. Better, it could be argued, that workers should earn a livelihood than remain a charge on public charity, even if their working conditions were unsatisfactory to an enlightened administration. The Council's Industrial Section in these circumstances strove to persuade enterprises to conform to as high a standard as appeared possible in each case.[9]

In addition to these efforts at industrial betterment, the Shanghai Municipal Council, soon after the outbreak of hostilities, agreed to finance the continuation of the statistical work of the Bureau of Social Affairs of the former City Government. This proved to be a significant step, for it provided an accurate instrument by which the community could gauge the effect on the cost of living of the inflation and of the control of commodities after 1938. The Industrial Section also entered into the field of voluntary mediation of disputes. In 1939 and the early part of 1940 foreign-owned enterprises were affected by one strike after another. The deterioration of economic conditions in 1940 and 1941 created widespread unrest, involving public utility enterprises and many others. The mediation services of the Section were useful in the settlement of disputes and in laying the foundations for an important contact with labour. The Section concerned itself also with the basic question of technical training, organising experimental classes for adult workers which will be described later.[10]

[9] See Chapter III.
[10] See Chapter IX.

3: Hinder G-5 (1933-1942) 1944 AF15 East China AF15

Because of this wider activity, the Council on October 16, 1940, severed the former Industrial Section from the Secretariat and established a separate Industrial and Social Division.[11] Within the Division there were created four Sections. They were the Industrial Section, maintaining its concern with physical conditions of employment and including the Technical Training Service, which organised technical classes for adult workers; the Statistical Section, responsible for compiling indices of living costs of Chinese and foreign employees, and statistics of wages and hours of work; the Industrial Relations Section, mediating industrial disputes and concerned also with non-physical conditions of employment, including workers' earnings and compensation; and the Welfare Section concerned with hygiene in the factories, workers' food and housing, and factory medical services, with the control of rentals of lower paid sections of the community through a licence to sublet, and with child protection.

In April 1941, an Industrial and Social Affairs Committee of the Council was formed, composed of members chosen to represent varying national interests and differing points of view. There was no representative of Chinese workers upon it. The social outlook of neither Chinese employers nor Western foreign employers had yet seen the right of the worker to have his viewpoint represented; still less would such a view commend itself to Japanese. The most that could be achieved was to inject into the membership sufficiently liberal representatives who could be counted on to speak for the common man.

WHEN PACIFIC HOSTILITIES developed in December 1941, industry, which throughout that year had met successively restrictions and steep surcharges in the use of electric power, difficulties in securing raw materials in the United States and elsewhere, controls in the purchase of foreign exchange to pay for imports, and a great shipping shortage, now faced a major crisis. The Japanese authorities required the immediate registration of stocks of essential raw materials—metals, fuels, lubricating oils, chemical products and many others. These were first frozen by preventing their movement. Those found necessary for the Japanese war effort were requisitioned. Later, permission to move stocks was granted to

[11] In subsequent pages frequently referred to simply as the "Division."

3: Hinder G-5 (1933-1942) 1944 AF15 East China AF15

to secure a better arrangement. Indeed, many employees of foreign firms taken over by the Japanese had to accept, under threat, allowances considerably short of this scale. 471 723 [466]

Thus very soon after the commencement of the Pacific hostilities, the former bustling industrial Shanghai died. The air, once polluted with the smoke of countless chimneys, cleared miraculously. Streets formerly grimed with coal dust became strangely clean. But these were improvements which boded ill for the people's livelihood. To the streets instead came to die many who could not find food or shelter.

Little detailed information is available as to conditions in Shanghai after August 1942. But the social problems of the city are substantially the same whether there is Japanese direction of the former administration or not. The Division will probably be forced during the period of isolation from the outside world, and through the proposed pseudo-changes in the Land Regulations referred to above, to use the Japanese-instructed Nanking Government Courts in enforcement. This may have one useful effect, that of removing those dangers of inequity and lack of evenhanded justice which exist when every factory engaged in the same trade is not subject to the same official scrutiny on the basis of clear regulations. The work of the Division in the last decade has shown that specific formal authority is not essential for useful achievement. The power of accurate facts has been very great. The appeal to reason has not been without result. While industrial conditions at the close of the decade were in many cases still thoroughly bad, within the limits of authority and capacity a not inconsiderable progress had been made prior to December 1941, laying the foundations of improvement in the lives and livelihood of workers in Shanghai. 633 648

3: Hinder G-5 (1933-1942) 1944 AF15 East China AF15

CHAPTER II

SIGNIFICANCE OF THE BACKGROUND FACTORS

633 THE GENERAL ATTITUDE of the Chinese residents towards the
648 international but foreign administration in the Settlement was a basic factor which had to be taken into consideration in the efforts to create a municipal instrument designed to achieve social progress. No patriotic Chinese citizen could approve a situation in which part of his country was alienated from the direction of the Chinese government, notwithstanding its prosperity and progressiveness in peaceful times, and however useful the existence of such areas had proved to the Chinese people in times of distress and civil disturbance. Until 1926 the membership of the Shanghai Municipal Council had been entirely non-Chinese: in that year Chinese councillors were chosen, taking their seats in 1928. In 1930 the number was increased to five. For those accepting seats to agree to associate themselves with the foreign administration, and for Chinese civic organizations to elect such members, meant a compromise with their national feelings, though this was perhaps tempered by satisfaction that the ranks had been opened to them. Though they had chosen to reside in the International Settlement in Shanghai it could be said of no large number of Chinese that they had any warm attachment to the administration which controlled it.

633 Relationships between the people and an administration are not
648 a matter of remote and academic attitudes. They are the every-
664 day contacts between the people and the employees of the admin-
208 istration at the level where the people live. They are the relations between the people and the individual members of the police force, with the health inspectors, with the building inspectors and so on. The majority of Shanghai municipal posts carrying responsibility were filled by foreign members of staff, chiefly of British nationality though with a sprinkling of Continental European, American and Japanese staff. In 1930, after one of the periodical staff surveys, it was accepted in principle that qualified Chinese would be ap-

3: Hinder G-5 (1933-1942) 1944 AF15 East China AF15

pointed in greater numbers to senior positions. This decision was somewhat slowly implemented. When the Japanese occupation of the Settlement took place in December 1941 there were in the general Council service still comparatively few Chinese of specialist training. The total Chinese staff was nevertheless much larger than the foreign, comprising many in clerical grades and in lower police ranks. The majority of the Council's staff were men of high professional achievement and sterling character. This did not preclude the currency in the community of criticisms against municipal employees. It could be said also that there were residents who were ready to escape compliance with the requirements if they could.

Such attitudes toward the administration and its staff did not make easy the beginnings of a Division which found it essential to obtain the confidence of the people. Moreover, as the preceding chapter shows, the actual issue as to whether the Shanghai Municipal Council should exercise any controls over industrial enterprises and so over labour in the Settlement, was a political one over which feelings ran high. To the more or less passive resistance on the part of sections of the Chinese community to the foreign administration was added a specific resistance in the concern of the Council with Chinese labour matters, a reaction which was national and emotional in origin and was kept up by propaganda means.

The Chinese population in the International Settlement enjoyed complete freedom of expression. This freedom was exercised particularly in criticism of the Settlement administration. Through powerful newspapers and through a Chinese Ratepayers' Association a constant pressure was maintained on the administration, and this was by no means unaffected by it. It has therefore to be realised that a potent influence was exercised by the Chinese population thus vocal and free.

Important, too, when the creation of a Division with social aims was under way, was the attitude of the Chinese residents toward the social situation, as well as that of the Council. There was a general acceptance on the part of both of prevailing poverty. The Council's acquiescence sprang from the traditional interpretation of its responsibilities imposed in the charter of administration, the Land Regulations. It was argued, not without logic though perhaps at the expense of imagination, that the limited revenues available

3: Hinder G-5 (1933-1942) 1944 AF15 East China AF15

633 under the prescribed tax sources provided only for the furnishing
648 of the bare elements of civic amenities such as peace, order and liberty and that there were insufficient funds to indulge in social welfare schemes and in the field of economic and social relief. The Council tended to balk at the idea of a small economic and social Utopia while surrounding areas remained immersed in poverty. But Chinese civic associations equally ignored the fundamental social situation. They were more concerned at the time with achieving political victories than with making social progress. Reluctance to venture into the field of China's economic ills was characteristic of Chinese Councillors as well as American, British and Japanese. Chinese Councillors were frequently men prominent in charitable work, some devoting virtually their whole time to organisations and institutions for relief. Yet few gave evidence of recognition of the possibility of attempting through municipal agency to make fundamental approaches, to do anything about the load of debt which burdened almost every family, or to ask themselves whether the wages paid by industry of whatever national ownership were high enough.

633 WHEN THE COUNCIL, urged to do so by the political nature of the
456 issue of the regulation of industrial conditions in the Settlement, decided to make a first appointment to its staff, it did not appear to be clearly seized of the exact nature or scope of the responsibilities on which it had embarked. It was generally accepted as the simplest course that the first emphasis should be on improving conditions of hygiene and safety in factories. No machinery in the shape of a special committee of the Council was set up to be the means of obtaining deliberation of the scope of the work, or to define the particular social problems which should be faced. This omission was later in practice found to have been useful. To attempt to have discussion of questions and arrive at a policy and programme, a method which would be considered to be most natural and useful in most circumstances, was found under the circumstances not the most suitable approach. Instead, those to whom the opportunity came to develop the work realised, after some initial mistakes in technique, that it would be necessary to work as quietly and unobtrusively as possible, taking advantage of this situation

3: Hinder G-5 (1933-1942) 1944 AF15 East China AF15

and East Asia. What the social situation is, is unknown. In Free China, which has been deprived of its contact with the outside world by the usual transport means and is dependent only on an air service over a difficult route from India, there is great social distress. A serious inflation has gravely reduced the former modest standard of living, and the time of deliverance seems far in the future. Yet throughout, the Chinese Government has referred to the war against Japan as the dual one of "resistance and reconstruction." There can be little doubt that when the period of resistance ends, the plan of reconstruction holds within it the aim of restoration to the people of that standard of living and its improvement as the years go on.

The renunciation of special rights in China by the United States and Great Britain has meant for these powers that they have given up the share they possessed in the administration in Shanghai. Other powers may be expected to follow suit, and for those that do not the issue will not be one within their power to influence. Thus when the invader shall have been driven out, the Shanghai of the future will be in the hands of the Government of China. None will rejoice in this development more than those who have in the past had part in the administration of the Settlement and who have looked forward to the time when the work being done would gear into the plans of the government of the country. If the ten-year experiment which is herein described has within it any germ of a social programme for the city of the future, those who took part in it will have been fully repaid. They have already had their rewards in the comradeship of the joint endeavour, the working together with able Chinese colleagues and the close co-operation which was achieved with both Chinese employers and workers.

In sum and in retrospect, despite the large task still unfinished, cut short by the necessity to dissociate from a Council which had become Japanese-controlled following December 1941, certain fundamentals have emerged from the decade of work. The opportunity to pursue an administrative social programme, despite the lack of specific power, for so long a continuous period as ten years, is something which has importance in itself. The Chinese Government which in the decade 1927-37 laid its foundations and had, particularly in the last five years of this time, made such real progress, was unable to remain at its peace-time task and had to